FirstOntario
CREDIT UNION

February 18th, 2022

Catherine Tam
Financial Services Regulatory Authority
25 Sheppard Avenue West, Suite 100
Toronto, ON M2N 6S6

RE: Proposed Resolution Planning Guidance

Dear Ms. Tam,

FirstOntario Credit Union appreciates the opportunity to respond to the Financial Services Regulatory Authority of Ontario's (FSRA) Proposed Resolution Planning Guidance. FirstOntario has had the benefit of reviewing the CCUA submission on this topic and is in full agreement with the issues outlined therein. We wish to register our formal support of the CCUA submission.

In addition, we thought it prudent to add our voice to this conversation. Firstly, we believe that the pace of regulatory change that is occurring at present is far too fast. The ink is barely dry on one guidance before another appears, this rapid change puts strain on our Credit Union's finance, risk, governance and operational resources, as Credit Union management are forced to divert resources to understanding the ever growing list of FSRA guidance when they should be concentrating on future proofing their institutions in a dynamic marketplace. Despite assurances to the contrary Ontario Credit Unions are facing ever increasing regulatory burden.

Further, we echo the CCUA position about the reliability of ex ante planning. We believe that it is inefficient for a Credit Union to expend the amount of resources the guidance contemplates. In practice, with rare exception, a failing Credit Union is merged in with another going concern. FirstOntario is no stranger to such transactions and in FirstOntario's experience they vary widely based on timing, type and financial position. We view the proposed Resolution planning as an attempt to force pre-emptive due diligence for a merger, when this is more properly done by the parties to the transaction at the time giving consideration to the prevailing market factors. Given the complex nature of any Credit Union wind down planning extensively in advance is not a good use of management resources.

Some other specific observations on the sections of guidance that we would like to share are as follows:

- **Page 10, item 4** refers to the creation of an accurate resolution plan. For reasons already articulated above we don't believe it is possible for a Credit Union to create an "accurate" plan in advance
- **Page 10, item 5** refers to round table exercises that involve top leadership and experts in the industry. These will be an expensive exercise to undertake and will contribute directly to regulatory burden without commensurate value in return.
- **Section C, External/Internal Dependencies for operational continuity**. While we agree that it is important to track and manage our contracts. This exercise will be a cumbersome one to undertake. FirstOntario presently has over 700 contracts in its contract management database all of which will have to be reviewed to identify which contracts are key to our operations. We will then have to review each to ensure that they include language for continuity planning. There is then of course the awkward

conversations with our external business partners about why we need to open up our contracts to include language around continuity planning. Further, opening these contracts will likely cost us money as the vendors will adjust their terms to the new level of risk they will be assuming. We think it might make more sense to allow Credit Unions to negotiate these terms in to their contracts at renewal.

- **Section D, Divestitures**. If we understand this section correctly we are to maintain a valuation of the Credit Union in order to assist with Marketability and Transferability of the Credit Union. Valuations are highly fact specific being influenced by the prevailing economic climate. Developing a rolling valuation system would be costly to implement and maintain.

In closing, we appreciate the need for contingency planning to be put in place and for our regulatory regime to be prudently updated. We feel that the key to a successful resolution plan is up to date information as opposed to specific plans drawn up in advance that will likely lack relevancy during a wind down scenario. Generally, we feel the pace of change at present is not sustainable. Specifically we feel that the timelines on Resolution planning should be stretched out to give Credit Unions the time to complete their recovery plans and for those to mature and be perfected with FSRA feedback, thereafter it would be an appropriate time to revisit resolution planning.

We thank you for the opportunity to submit this response and would happily make ourselves available to discuss more at your convenience.

Best Regards,

DocuSigned by:
Lloyd Smith
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Lloyd Smith, C.E.O.